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Gary, Elbert Henry

Looking forward by looking backward twenty years

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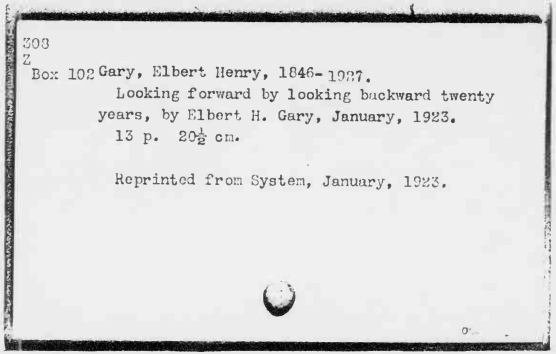

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Box 102 Gary, Elbert Henry, 1846-1927.
Looking forward by looking backward twenty years, by Elbert H. Gary, January, 1923.
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Looking Forward by Looking Backward Twenty Years

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By
ELBERT H. GARY

JANUARY, 1923

Looking Forward By Looking Backward Twenty Years

ELBERT H. GARY

REPRINTED FROM SYSTEM, JANUARY, 1923

HAS the progression of this country been checked? Is it the part of wisdom to prepare against a long season of depression? Has the high point in general consumptive capacity been reached and must we anticipate a declining demand, or can we confidently look forward to increased production and prosperity during this year and the long future?

These are questions concerning which every careful man will give deliberate thought, and reach definite conclusion, for a hesitating business cannot be satisfactory. During the last two years there has been some business growth, but not sufficient. The increase in the savings bank deposits alone would demonstrate that the country as a whole has not slipped backward, although undoubtedly there have been interruptions. Yet most of us have operated at less than capacity and profits have not been large or even fair. What does it all mean?

There is always with us a large group, possibly a majority, who look at every unfavorable symptom with the utmost pessimism, who say that there is no chance ahead; that everything is dark; that we cannot hope to go forward farther; and that we shall be lucky if we hold what we have. With these views I cannot agree. I have heard the same thing too often. Those who judge the condition of business by their emotions

rather than by the law of supply and demand inevitably conclude that every depression is permanent. And there are others who take every boom to be the attainment of enduring prosperity.

The record of the last twenty years shows that while, with our present knowledge of business, we do not seem able wholly to prevent either depressions or inflations, the line of progress in the volume of goods consumed is rising. In the long swing of events the dips are purely transitory and all but negligible. They have been important only at the moment.

The capacity for making steel in this country has more than doubled in the last twenty years, which means roughly that the capacity of the people to use steel has doubled. During the same period the population has not doubled. It is perhaps fair to take steel as an index to the consumption of goods in general.

We are not usually able to supply all of the goods that mankind needs, and have only temporarily been able to supply more than it could buy. The population of this country is growing, and its capacity to consume is increasing. Luxuries are gradually becoming necessities, as for instance steam heat in residences. New facilities are constantly being adopted for increasing the efficacy of the individual, as for instance the automobile. Each improvement brings with it the opening of a new industry, a new and larger purchasing power, and the demand for more goods. Twenty years ago, to take the most familiar example, the making of automobiles was scarcely an industry; we all know what it is today. Steel of course forms a relatively insignificant part of a woman's corset, yet the making of corsets annually absorbs many thousands of tons of steel. It is truly astounding how

small changes in modes of life create demands on industry. There is no economic reason why this should be less in the future than in the past.

A big city seems to build more slowly than a mining town; but actually the consumption per capita of everything in the city, where the average income of the individual is relatively high, is greater than in the mining town. Every man is justified in making plans for the future extension of his business in accordance with his capital resources and no other sort of expansion is ever justified.

We are carrying a very heavy governmental financial burden which will not soon be fully discharged. We must reckon for some time to come on taxes that will be none too easy to bear. Substantial addition to the present burden of taxation might be crushing. This is realized by the President and his associates and they are ably endeavoring to lighten the load. But until a large part at least of the cost of the war is paid, no amount of governmental economy can reduce taxes to a point where they will not have to be seriously reckoned with. Industry has proved that it can function under the present burden, but if new weights are added through oppressive laws, then the future is in doubt.

I cannot see other than good business ahead, provided natural economic progress is not interfered with. The greatest danger to the consistent and logical development of the country is in the possibility that attempts may be made to substitute unwise and sometimes vicious laws of man for the laws of Nature, thereby interrupting the even movement of supply and demand.

The natural law of supply and demand should not be interfered with by the Government or by any administrator

of the laws excepting in cases involving turpitude, and this applies to every business transaction and all who are involved in the transaction. Only a little while ago when the war was on, this law had to be suspended because neither the supply nor the demand arose from natural causes, but were influenced by the exigencies of war. Some were even heard to say that Nature's laws could permanently be suspended. Everything that has happened since the war goes to prove otherwise, to prove that only as the law of supply and demand is permitted to operate can a country and its citizens soundly prosper. Serious trouble or disaster has followed every contrary course.

It is to me unthinkable that we should rear in this country any aristocracy of special privilege, whether that aristocracy be made up of those who sell the use of their hands, their brains, or their money. I am strongly opposed to special privilege of any kind. The progress and prosperity of no nation can long endure if any single factor in economic life shall be especially favored or punished or exempted.

LAWS THAT ADD TO THE COST OF PRODUCTION

Equality before the law is fundamental to industrial peace and prosperity. Yet the disposition seems to be to pass laws which in a degree exempt labor organizations and farmer associations from governmental investigation, supervision, and control against wrong. Not only are they exempted from certain restrictive provisions of the existing statutes, but they are affirmatively permitted to do certain things prohibited to other groups of citizens.

To permit labor associations or farmer organizations to do, as the result of combination, things that are claimed to be

beneficial to them but which are denied to others is to create classes, to favor some of them and to injure the whole body politic. It tends to array class against class, and it materially adds to the cost of production. And be it remembered, the general purchasing public, in the end, must pay the bills. This, as a net result, is certain. This is not equal opportunity and equal obligation.

I willingly admit as to labor, towards which no one has better intentions than I have, that in the long past, as the result of class existence, it was not justly treated. Also, I know by experience and otherwise that the farmers, the most essential element of our national life, have not as a rule received adequate financial returns on their investment and labor. Every fair and reasonable measure to overcome this should be encouraged.

There is no reason why any group should not organize to gain for itself a better economic position if it believes that through organization that position can be gained. But it is not in the public interest to permit any group secretly to expend large sums of money for subversive propaganda. The public is entitled to know the facts about the expenditures of money to influence public opinion. The public is entitled to the record of receipts and expenditures of every kind and character of organization; of every business corporation, of every labor union, of every association, whether or not it be formed for profit.

The surest and wisest of all regulation is public opinion, but sound opinions cannot be formed excepting on the facts. To deny to the public the right to investigate any organization is in effect to deny it the right to gain the facts on which to base a judgment. It is hardly possible to have

serious industrial disturbance if all the facts are known. In the graver strikes of the last several years the facts have not been generally known.

Above everything else, strict observance of the criminal laws should be enforced.

The progress of prosperity has been halted by these strikes which could not have lasted so long in the face of an enlightened public opinion, and there will continue to be stoppages of trade as long as full publicity for every factor in trade is not compelled by law.

There is, however, another phase. If any group be permitted to gain exemption from the law, to have a privileged position, then it may use its advantage to obstruct the law of supply and demand for its own benefit. Such a privileged group will not in the long run gain anything of a permanent nature, for the economic laws are inexorable. Artificial prices, based on other than the law of supply and demand, will disturb industrial equilibrium and prevent the business of the country from freely functioning.

Many of our prices are still artificial. Profits are too low and costs are too high. Where the natural law has been permitted to work, costs have lowered. But transportation and coal are both artificially high and this prevents trade from flowing as freely as the condition of the country would warrant. There is propaganda tending toward spreading the belief that profits and wages can be maintained at artificial levels in certain lines without injuring the prosperity of the country as a whole. But employers know that continuous prosperity comes only from capable, honest management.

They have not always recognized this. Twenty years ago,

the managers of some of the large private business corporations apparently believed that it was enough if their conduct was within the technical rules of law; that if no public law was violated the corporation should be permitted to secure unlimited profit and treat indifferently its customers, its employees, its competitors, and even the general public.

And not a few officials, with this reasoning, were inclined to take advantage of inside, advance information to promote their own pecuniary interests. They ignored the moral principles. They gave no thought to the Golden Rule. Competition was tyrannical and destructive. Weaker competitors were forced out of business, often by means not only unethical but brutal. Instead of competition being the life of trade it was the death of trade. Instead of monopoly being destroyed, it was encouraged. Letters written during this period by owners and managers of some of the great industrial concerns, furnish indisputable evidence of a disposition to ignore the principles of ethics.

This school, following tradition, did not give just consideration to employees. The welfare of the workmen was decided almost entirely from the standpoint of utility and profit, a little thought and credit, of course, being given to safety and physical condition as affecting ability to serve.

BUSINESS CHANGES OF THE LAST TWENTY YEARS

Within the last twenty years or more there has been a decided change in the standards and conduct of business. Thousands of business men all over this country, who then believed that the subject of ethics had little, if any, rightful place in business conduct, now insist that it is controlling. Business throughout the United States is today transacted on

a higher plane than ever before, though of course there is always need for further improvement.

Radical leaders start with the presumption that business is essentially dishonest, and there is not a little evidence that business may during this year be subjected to many unfair attacks which have as their end the obtaining of an advantage to a class and not to the country as a whole. The business man who sincerely believes himself honest will have the courage and strength to stand solidly against any unworthy attack touching his management. He can afford to be courageously patient while waiting for the real facts to develop. But this is no reason why a man in business should be the less equipped, if necessary to defend and better to assert the economic basis of his position.

Those who attack business are often permitted to seem possessed of all the facts and the logic, whereas as a rule their statements are usually inaccurate and their logic vulnerable. Few men actually engaged in business have taken the time or the trouble to school themselves as theoretical, as well as practical, students of commerce.

A larger attention to economic fundamentals on the part of the man in business would do much toward checking the effectiveness of unfair attacks. Business is today a science and it needs to have a scientific equipment. And also its outlook might well be broadened, for the well-being of business and of the nation are inseparable.

Public investigation of business affairs by governmental committees is sometimes necessary and generally productive of good. Some investigations have been of great benefit in exposing to the public facts relating to misconduct or mismanagement, and have resulted in correcting evils. But some

investigations are a public nuisance which go beyond the legitimate domain of the examination, and more particularly, when misrepresentations or unfair methods are indulged in. Frequently they are harmful because politically partisan and managed without regard to the rules which govern legal procedure.

The public interest is properly protected only when the facts are given to it by an honest, impartial, and intelligent investigation by a board of undoubted merit which is non-partisan in character. Governmental regulation of industry cannot be proper or desirable without the condition that there shall be no discrimination and that all lines and departments of economic activity of similar importance shall be subjected to the same treatment.

Without at all discussing the merits of governmental regulation of industry, it cannot, in my opinion, ever be satisfactory or permanently successful unless and until it is fair and reasonable and, above everything else, is applied without discrimination. If any man urges legislation that especially favors or punishes any class or division of industry, he should frankly avow that he is after something intended to be contrary to the general spirit of the Constitution of this country.

Legislative enactments or the modification or extension of existing laws for the regulation of industry are being frequently debated in and out of Congress and, personally, I welcome this in so far as it is sincere, unselfish and non-partisan.

Investigation and publication are proper and desirable, if they are not carried to excess. Constant, partisan, and reckless indulgence in this pastime by representatives of government, or, what is much worse, by self-appointed, unqualified, or dishonest individuals or associations, posing as public

benefactors, may be and often is misleading and antagonistic to the general welfare.

At other times I have said that occasional investigation of investigators might result in exposure of a good many rascals; and I would emphasize the statement. Often the man crying "stop thief" in the loudest tones has the stolen goods in his pocket. If a man by his manner and methods gives evidence of personal hostility or selfish designs, it is well to scrutinize his conduct and motives before giving credit for his work or placing reliance upon his statements.

There are many vicious bills pending in Congress which bear upon economic progress. They tend to unsettle industry, to induce fear. It is no answer that the fears usually prove groundless.

Even the mere appropriation bills which provide the necessary funds for governmental administration often precipitate trouble and demoralization and occasionally business depression. It is not so much that large expenditures are proposed as it is the spirit generally exhibited. Selfishness, greed, and vindictiveness are displayed. Not infrequently efforts to promote political or personal advancement are strongly in evidence. Many things other than the public welfare are apparent.

It can be said with some positiveness that if we do not have prosperity this year it will be because of agitation and laws, no matter what their altruistic guise, which are directed against the general welfare.

THE EFFECT ON BUSINESS OF THE TARIFF, EUROPEAN DEBTS AND IMMIGRATION

Neither the tariff nor the debts owing to us from Europe out of the war will in my opinion have any considerable effect

upon business. The tariff is, as always, unsatisfactory, and no satisfactory tariff law will be passed until the two major political parties agree upon the principles of the tariff and take it out of politics. The saving grace of the tariff bill just passed is that its provisions may be modified by the President.

This will work to prevent injustice or profiteering and it is a step in the direction of the appointment of a commission of well paid, high-minded, intelligent, competent, and non-partisan citizens to ascertain continuously the facts on all tariff matters. A thoroughly helpful tariff is one that has no favorites, but looks solely to the fair protection of industry without oppressing consumers.

I do not agree that our own economic position would be better if we forgave the debts owing to us from abroad. We should only be adding to our own burdens. Perhaps if all of the debts were paid to us at once and in gold we should have a monetary disturbance, but this is not a danger to which we need give much thought, for there is no possibility that the debts will overnight be paid to us in gold.

I think that the foreign nations can and will pay their debts, some sooner than others and some of them sooner than is now generally expected. We should be willing to extend payments at reasonably low rates of interest and also we should be glad to make new loans whenever we have the confidence that they will be repaid. It is solely a question of business reciprocity. These debts were voluntarily and fairly contracted. They cannot be cancelled without doing violence to every principle of justice and propriety. To the extent that they are paid to the same extent will our own taxation be lifted. If they are not paid we shall be no worse off than we now are. The interest may be paid

in goods but the largest possible volume of these goods will not be great enough seriously to interfere with our home production.

Just at this time it is generally recognized there is a shortage of labor, although now and generally there are considerable numbers of idle men who do not ask for or desire steady work. For various reasons many workmen have returned to their homes in foreign countries.

The shortage in labor however has come principally as the result of the percentage immigration laws which have limited the number of workmen who would now come to this country if not prevented by the laws referred to. After some experience these laws are now believed by large numbers to be unreasonable.

Ostensibly at least these laws were aimed at the sudden and large increases in the number of foreigners who were locating here, many of them entertaining views hostile to the ideas of our government.

These laws ought to be changed promptly. The restrictions upon immigration should be directed to the question of quality rather than numbers of foreigners coming to this country. Measures for limiting the number of immigrants to those who are clearly shown to be healthy, morally, politically and physically, ought to be clear, strict, and enforceable; but the number allowed to come here should be equal to the necessities of our industries.

The administration of the law could be under the control of a competent and impartial governmental commission or department to be managed for the benefit of the general public, and not for the protection of any special class or the exploitation of any impractical or injurious theory. This immi-

gration question is one of the most important now being debated by people throughout the United States.

We undoubtedly need more workers and the wise business man will give attention to seeing that those who work with him are fairly treated and are paid the highest feasible wages on a basis of fitting the wage to the work. Employers who attack labor are not entitled to more consideration than labor that attacks employers. Both are hindrances to prosperity.

If this country is to maintain the economic position to which it is entitled in the onward march of nations, we must have sufficient numbers of competent workmen adequately to supply our industries. To prohibit this would be disastrous, as can be logically demonstrated in a full discussion of the question.

We can prosper only on a fair give and take practice and if the business of the country operates on such a basis there can be no question but that this year holds for us a large and general prosperity.

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